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February 23, 2005

Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602

RECEIVED
FEB 23 2005
PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF COLUMBIA GAS OF)
KENTUCKY, INC. TO IMPLEMENT A NEW)
SMALL VOLUME GAS TRANSPORTATION) Case No. 2004-00462
SERVICE, A GAS PRICE HEDGING PLAN, AN)
OFF-SYSTEM SALES AND CAPACITY RELEASE)
REVENUE SHARING MECHANISM, AND A GAS)
INCENTIVE MECHANISM)

Dear Sir or Madam:

Enclosed please find an original and eleven copies of our Request for Expedited Approval of the Choice Program or, in the Alternative, Request for an Expedited Informal Conference. Please file the original and ten copies and return one file-stamped copy to me in the enclosed envelope. Thank you for your assistance.

Sincerely,



James R. Cox

JRC/Imm
Enclosure

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:

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SERVICE, A GAS PRICE HEDGING PLAN, AN)
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REVENUE SHARING MECHANISM, AND A GAS)
INCENTIVE MECHANISM)

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FEB 24 2005
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**INTERSTATE GAS SUPPLY, INC.'S
REQUEST FOR EXPEDITED APPROVAL OF THE CHOICE PROGRAM
OR, IN THE ALTERNATIVE,
REQUEST FOR AN EXPEDITED INFORMAL CONFERENCE**

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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FEB 24 2005

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COMMISSION

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Now comes Interstate Gas Supply, Inc. ("IGS"), by counsel, and in accordance with the Commission's February 4, 2005, order in this case, respectfully requests the Commission to expedite its approval of Columbia Gas of Kentucky, Inc.'s ("Columbia") November 30, 2004, proposal for a new pilot small volume transportation program ("Choice program").¹

With the deadline for initial comments having passed, it is clear that all parties desire a fair and functional competitive Choice program. Indeed, even the Attorney General (or AOG) has stated that the Choice program is a benefit to consumers, absent any negative effect on customers that take sales service from Columbia.² IGS has demonstrated on the Commission's record that it desires a subsidy-free Choice program that neither harms nor benefits Columbia's

¹ IGS has been granted full intervenor status in this case, as well as Columbia's current Choice program case, Case No. 1999-00165.

² See *Comments of the Attorney General* at 7.

standard-offer sales program,³ and IGS believes that Columbia's Choice program application and off-system sales and capacity release revenue sharing proposal achieves this balance. Inasmuch as the proposed Choice program now requires a combination of capacity assignment and recovery of storage and transportation capacity costs through a new balancing fee, it eliminates stranded cost risk for sales customers. In addition, because Choice suppliers would be paying for capacity managed by Columbia, it is appropriate that Choice customers share in the revenues generated from the off-system sales and capacity release transactions. Therefore, the availability of the Choice program is a risk-free and subsidy-free benefit for all consumers.

The AOG's comments also state its policy positions on certain other attributes of Columbia's application, specifically: the hedging and the summer gas cost incentive mechanisms. These attributes are, however, not directly related to the Commission's consideration of Columbia's replacement Choice program proposal, in that the Commission has seemingly addressed these issues in the context of other Kentucky utilities that do not offer Choice programs. Resolution of these issues can, and should, be pursued separately from the Commission's consideration of Columbia's Choice program proposal.

Time is of the essence with regard to the Commission's approval of the continuation of the Choice program, because Columbia's current Choice program is scheduled to expire at the end of March 2005, in approximately five (5) weeks.⁴ Without a continuing Choice program, shopping levels in Columbia's service territory will be reduced to zero, which will decimate the competitive marketplace in Columbia's territory. Expeditious, perhaps even urgent, approval of Columbia's Choice program proposal is, therefore, imperative to preserve the competitive

³ See Case No. 1999-00165; see also Case No. 2002-00117 (In The Matter Of The Filing Of Columbia Gas Of Kentucky, Inc. To Require That Marketers In The Small Volume Gas Transportation Program Be Required To Accept A Mandatory Assignment Of Capacity).

⁴ Columbia's current Choice program was approved in Case No. 1999-00165.

Choice program, which is something that Kentucky consumers strongly desire.

Accordingly, if the Commission determines that the record is adequately developed, IGS respectfully requests the Commission to approve Columbia's application, particularly if comments have been provided on issues where the Commission's policies are now precedent. As discussed above, the Commission could also approve the Choice program, including the related off-system sales and capacity release mechanism, but continue proceedings on the other issues raised by the AOG, inasmuch as those issues are not directly related to the Commission's approval of the replacement Choice program. In the alternative, IGS requests the Commission to schedule an informal conference as soon as possible, without waiting for the March 3rd deadline to request an informal conference. No party in this case has requested a formal hearing, a hearing does not appear to be necessary, and it appears highly unlikely that a formal hearing will be requested. The purpose of the informal conference would be to facilitate or even finalize resolution of any pending issues, to clear the way for the continuation of the Choice program. To be clear, IGS's preference is that the Commission approve Columbia's application, or at least Columbia's replacement Choice program proposal, without the need for an informal conference, which conference would only be convened if the Commission desires it.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Interstate Gas Supply, Inc.'s Request for Expedited Approval of the Choice Program or, in the Alternative, Request for an Expedited Informal Conference was mailed, postage prepaid, on February 23, 2005, to the below listed persons.



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